

**Achievement of Market-Friendly Initiatives and Results Program  
(AMIR 2.0 Program)**

**Funded By U.S. Agency for International Development**

**Financial Analysis Of  
Trade Commissions**

**Final Report**

**Deliverable for Capital Markets Component, Task No. 624.1  
Contract No. 278-C-00-02-00201-00**

*August 2002*

*This report was prepared by Mr. Majd Shafiq and Ms. Suha Shouqar, in collaboration with Chemonics International Inc., prime contractor to the U.S. Agency for International Development for the AMIR Program in Jordan.*

## Table of Contents

- I. Methodology
- II. Assumptions
- III. Select Notes on Revenue Details
- IV. JSC Projected Financials
- V. ASE Projected Financials
- VI. SDC Projected Financials
- VII. List of Documents Read
- VIII. List of Interviews

## **I. Methodology**

The main purpose of this report is to construct a financial picture of the three institutions, JSC, ASE and SDC over a project five-year period to ascertain the financial viability of each institution. For this purpose, projected income statements and balance sheets were utilized.

To put together the projected income statements and balance sheets for each institution, the latest available figures on both the revenue and expense side were used. This included canvassing 2001 figures as well as actual 2002 figures. The numbers were obtained from annual reports and details provided by the three institutions.

Several "runs" of the projected financials were produced with each run shared with each institution separately until a certain level of comfort was reached by each institution that the projected figures are good representations of its respective financial picture over the coming five years. In this regard, feedback provided by each institution on each run was incorporated into its financials and a new run was produced and shared again with the institution. This exercise was repeated several times for each institution.

Finally, each institution received the final sets of its financials along with sets for each of the other two institutions.

## II. Assumptions

### 1. Revenue Figures:

For each institution, several revenue streams were identified as detailed below. The three institutions agreed that the base case trading volume should be that of 2001 with the appropriate increase made to it annually.

For details, please see income statements and revenue details below.

### 2. Expense Figures:

Expense figures were obtained from each institution and the appropriate increases or decreases over the five-year period were made. Please see details for each institution in expense lists below.

### 3. Expansion Plan:

It should be noted that the income statements and balance sheets assume no future expansion plans for any of the three institutions.

### 4. Grants:

All grants received by the three institutions in terms of equipment, hardware and software have been accounted for in the income statements and balance sheets and depreciated accordingly. Please see details in grant and depreciation sheets below.

### III. Select Notes on Revenue Details

#### a. SDC:

- *SDC Turnover Fees*

The revenue derived from these fees is a function of the trading volume for each listed security. The 8% rate of increase in the trading value in 2002 as compared to 2001 is assumed for shares and bonds. The trading value for units of investment funds is assumed to be the average of the past three years (1999- 2001).

Security Type	Fees/1JD	2002	2003	2004	2005	2006
<i>Shares</i>	.0003	8%	4%	6%	8%	8%
<i>Bonds</i>	.00005	8%	5%	8%	10%	10%
<i>Fund</i>	.0003		4%	6%	8%	8%

- *SDC Off-Floor Transactions*

This is composed of inheritance and family transfers plus off-floor transactions and excludes bonds (as it is not clear if the Central Bank of Jordan will assume this responsibility: manage the settlement for bonds).

Transaction Type	Fees/1JD	2002	2003	2004	2005	2006
<i>Inheritance and Family Transfers</i>	0.002	JD 22m	JD 22m	3.5%	3.5%	3.5%
<i>Off-Floor Transactions</i>	0.0014	JD 15m	JD 15m	3.5%	3.5%	3.5%

- *SDC Rejected Deeds Fees*

This is assumed to equal JD 8,700 in 2002. The figure is expected to reach zero once the SDC has cleaned up all records.

- *SDC Annual Membership Fees*

Type	Fees/1JD	2002	2003	2004	2005	2006
<i>Brokerages (#)</i>	250	31	30	29	29	28

<i>Custodians (#)</i>	250	15	16	17	18	19
<i>Public Shareholding companies (Before listing)</i>		JD213 th	JD640 th	5%	5%	5%

- *SDC Initial Membership Fees*

Supposed to be equaled to JD 5,000.

**b. ASE**

The following revenue sources warrant particular attention:

**i. Listing fees**

This is charged by the ASE on the various listed securities: shares, bonds and units of investment funds. As is illustrated below in the section on ASE revenue details, assumptions have been made for the number of the listed companies, the value of their listed capital, the number of bonds issued and listed, as well as assumptions related to the number of units of investment funds and the accumulated value of these funds.

*For Shares:*

The listing fee equals .0004/JD, not to exceed JD 3,000. Accordingly, the limit on the value of listed shares is JD 7.5 million (JD 3000/.0004 = JD 7.5 million). Companies with capital values exceeding or equal to JD 7.5 million will pay JD 3000 per year regardless of what their capital is. Those with values less than JD 7.5 m. will pay 0.0004 per share.

**Banking Sector**

One. There are 16 banks with their capital exceeding JD 7.5 million and one bank -Bytona- with its capital equal to JD 2 million.

Two. The number of listed banks is forecasted to decrease from 17 banks in 2001 and 2002 to 15 banks in 2003, and 14 banks in year 2004, 2005 and 2006.

**Insurance Sector**

One. One listed company has a value of JD 9.931 million while others have an average listed capital of JD 2.58m.

Two. The number of the insurance companies was 25 in 2001 and is forecasted to decrease to 23 in 2003, 22 and 20 in year 2004 and 2005, respectively.

#### Services, Industrial Sector & Third Market

Companies in the Industrial, Service Sector & Third Market are classified in 2 groups. Group one contains companies with a capital value less than JD 7.5 million, and group two contains companies with capital value greater than JD 7.5 million.

#### ii. Trading Fees

The trading fee revenue stream depends on the trading value for each type of listed security: shares, bonds and units of investment funds.

2001 was taken as a base year and it is assumed that trading fees will increase by 8% in 2002 compared to 2001 for each security except for the units of investment funds.

Security Type	Fees/1JD	2002	2003	2004	2005	2006
<i>Shares</i>	0.0006	8%	4%	6%	8%	8%
<i>Bonds</i>	0.0001	8%	5%	8%	10%	10%
<i>Fund</i>	0.0006		4%	6%	8%	8%

#### iii. Information Dissemination Fee

An annual fee collected from various information vendors for the right to disseminate ASE information (IFC, AMF and Reuters).

### c. JSC

#### i. Registration Fee

An annual increase of 5% is assumed.



ii. Listing Fee

There are differences between the listing fees at the ASE and those for the JSC:

*Shares:*

Listing fee equals .003/JD but not to exceed the value of JD 50,000. Accordingly, the limit of the value of listed shares is JD 16.6 million ( $JD\ 50000 / .003 = JD\ 16.6\ \text{million}$ ). Companies with capital values exceeding or equal to JD 16.6 million will pay JD 50000 yearly, regardless of what their capital is. However, companies with values less than JD 16.6 m. will pay 0.003 per share.

Banking Sector

1. 15 banks out of the 17 listed have their capital at more than JD 16.6 million.
2. The number of listed banks is forecasted to decrease from 17 in 2001 and 2002 to 15 banks in 2003, and 14 banks in year 2004, 2005 and 2006.

Insurance Sector

1. All insurance companies have their capital at less than JD 16.6 million.
2. The number of listed insurance companies is 25 in 2001, and is forecasted to decrease to 23 in 2003, 22 and 20 in years 2004 and 2005 respectively.

Services, Industrial Sector & Third Market

Companies in the Industrial, Service Sector & the Third Market are classified in 2 groups. Group one contains companies with capital values less than JD 16.6 million, and group two contains companies with capital values greater than JD 16.6 million.

## iii. Trading Fee

Depends on the trading value of each type of listed security.  
2001 trading volumes are assumed to be base case with 2002  
figures assumed to increase by 8%.

Security Type	Fees/1JD	2002	2003	2004	2005	2006
<i>Shares</i>	0.0006	8%	4%	6%	8%	8%
<i>Fund</i>	0.0006		4%	6%	8%	8%

## **IV. JSC Projected Financials**

## **V. ASE Projected Financials**

## **VI. SDC Projected Financials**

## **VII. List of Documents Read**

2001 and 2002 annual reports of JSC, ASE and SDC

Internal by-laws and rules and regulations on fees for JSC, ASE and SDC

Audited and un-audited balance sheets of JSC, ASE and SDC

## VIII. List of Interviews

### JSC

HE Dr Tayseer Abdel Jaber, Deputy Chairman  
Mr Maan Jalamdah  
Ms Firyal Saba  
Mr Yahya Burjaq

### ASE

Mr Jalil Tarif, CEO  
Mr Nader Azar, Deputy CEO  
Mr Nidal Hamdan

### SDC

Mr Samir Jaradat, CEO  
Mr Tareq Hijazi